UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/C.5/51/37
9 December 1996

ORIGINAL: ENGLISH

Fifty-first session
FIFTH COMMITTEE
Agenda item 116

PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

Construction of additional conference facilities at Addis Ababa and Bangkok

Report of the Secretary-General

I. INTRODUCTION

1. In its resolution 39/236 of 18 December 1984, the General Assembly approved the construction of additional conference facilities at the Economic Commission for Africa (ECA) at Addis Ababa and a construction project for the expansion of conference facilities at the Economic and Social Commission for Asia and the Pacific (ESCAP) at Bangkok.

2. In accordance with that resolution, annual progress reports have been submitted on both construction projects. The present report reviews the progress on the projects at Addis Ababa and Bangkok since the report was submitted to the General Assembly at its fiftieth session (A/C.5/50/17).

II. EXPANSION OF THE CONFERENCE FACILITIES AT THE HEADQUARTERS OF THE ECONOMIC COMMISSION FOR AFRICA AT ADDIS ABABA

A. Status and progress in the implementation of the project

3. As originally approved by the General Assembly in 1984, the construction project was estimated to cost $73,501,000 or 102,085,000 European currency units (ECUs) at the November 1984 exchange rate. However, following the delays detailed in previous reports of the Secretary-General to the Assembly, international tendering resulted in an estimated total cost of $107,576,900 or ECU 78,523,400 for the project at the November 1990 exchange rate.

4. The general status and progress of the project and relevant aspects of the situation in Ethiopia through September 1995 were outlined in the reports of the Secretary-General to the General Assembly at its forty-sixth session (A/C.5/46/22), forty-seventh session (A/C.5/47/11), forty-eighth session (A/C.5/48/30), forty-ninth session (A/C.5/49/9) and fiftieth session (A/C.5/50/17). Since then, the contractor has maintained the necessary arrangements with the appropriate authorities, ensuring that both the flow of shipment of materials from Italy to Assab, Ethiopia, and the commercial transport from Assab to Addis Ababa were kept at the improved levels attained in 1995.

B. Progress of construction

5. As a result of additional pressure exercised by the United Nations, the improved pace of work commencing in the second quarter of 1995 continued during the remainder of 1995 and the first quarter of 1996. The contractor increased production considerably at the final stage, reaching the highest production level since the construction project began. Consequently, substantial completion and handover of the project were achieved on 21 and 22 April 1996, respectively.

6. All civil works, equipment installation and final finishes, including carpeting and furniture in the conference rooms, were completed and fully tested. Since completion of the works on 21 April, the contractor's workforce was reduced accordingly to approximately 31. Upon achieving substantial completion and handover, the defects liability period commenced on 23 April. This defects liability period will be in effect for 10 months and requires a minimum labour force, involved mainly in minor corrective work of finishing trades while the new facilities remain occupied and operational.

7. The installation of the digital telephone system and related cabling is currently in progress and the expected revised date when the old telephone system is replaced by the new one is now scheduled for the first quarter of 1997. The delays in the implementation of these systems were caused by problems encountered by the contractor (Alcatel) in obtaining customs clearance of the materials and equipment related to the telephone system, which have only recently been resolved.

C. Financial aspects

8. It will be recalled that the construction contract provides for an extension equal to any force majeure period, plus whatever additional period is required for normal operations to resume under the specific circumstances. The particulars of the contractor's claims for compensation for force majeure and other changed conditions were outlined in paragraph 10 of the report of the Secretary-General to the General Assembly at its forty-seventh session (A/C.5/47/11) and paragraphs 2 and 3 of the related report of the Advisory Committee on Administrative and Budgetary Questions (A/47/7/Add.2). Discussions with the contractor on the question of the extension of the construction period

resulting from force majeure were satisfactorily concluded with a lump sum payment to the contractor of $202,914.92, or ECU 175,000 on the date of payment.

9. Further, the construction contract provides that damages would be levied against the contractor for failure to complete on time. The contractor advised that the projected completion of the project scheduled for March 1995 would be in January 1996 with a projected handover date of April 1996. At the same time, the contractor stated its intention to make a formal application in respect of financial adjustments and compensation in due course. This claim is based on issues that, in its opinion, had impacted the project. Meetings were held at Headquarters in early September 1995 with representatives of the United Nations, including consultants and a team of experts, to discuss the time delay claim and various other items, including review of the contract completion date, financial implications of the contractor's claim and the proposed amendment of claim proposals for timely completion of the project and financial aspects of same. Consequently, on 15 November 1995, the contractor submitted a financial claim in respect of the time delay claim in the amount of $20 million or ECU 16 million. An initial review of the claim by the United Nations and its consultants indicated that the amount proposed by the contractor was unrealistic and unsubstantiated. To facilitate a more detailed review, the contractor was requested to substantiate the claim fully and to submit all the necessary documentation and justification. Based on the review of the additional information received from the contractor, the view of the United Nations remains that most of the claim is unsubstantiated.

10. During the last week of September 1996, discussions were initiated between the contractor and the United Nations, aimed at arriving at an agreed settlement with minimal or no additional financial implications for the Organization, although the contractor may be entitled to additional compensation and at same time it would be liable under the terms of the contract for penalties for the delays it has caused. Discussions on this matter are currently in progress.

11. Owing to the foregoing, an increase in the estimated cost of the project as approved by the General Assembly during its forty-fifth session will be unavoidable. Preliminary estimates indicate that the final project cost would amount to $114,213,588, an increase of $6,636,688 above the current approved level of the project of $107,576,900. The amount of $114,213,588 includes costs for additional work required to complete the project and other factors as follows:

(a) The force majeure situation resulted in the extension of the contractual construction period and a lump sum payment to the contractor;

(b) Difficulties experienced with respect to commercial and local transportation, and customs clearance by local authorities, caused delays in the delivery of materials and consequently extended the period of construction beyond the scheduled completion dates;

(c) Additional work and project changes were requested by ECA, which included but were not limited to electrical, mechanical and special systems requirements, namely, uninterrupted power supply, building automated control and anti-intrusion security;

(d) Administrative costs and costs associated with consultants and site supervision increased as a result of the two-year delay in completion.

12. As at 31 August 1996, total disbursements amounted to $98,970,026. The final complete cost of the project will only be determined following calculation of all remaining disbursements related to work in progress and pending settlement of the time delay and financial claims.

13. Appropriations for the construction projects are credited to the construction-in-progress account and any cash balances invested. Interest earned on construction accounts is credited to the construction accounts until the end of the project, when it reverts to the General Fund or, upon authorization from the General Assembly, is applied to the construction project. As at 31 December 1995, the accumulated interest earned in the construction-in-progress for the ECA project amounted to $6,869,240. It is proposed to apply up to the total of the current and future interest to offset the increased costs of the Addis Ababa project.

14. Should the General Assembly concur with the Secretary-General's proposal to utilize the interest earned on the appropriations for the Addis Ababa project, that amount plus the appropriation already approved by the Assembly in 1990 should be sufficient to cover all anticipated project costs. While efforts are continuing to ensure that the settlement of the claims is within the appropriation and interest level indicated, should a reasonable settlement not be achieved, arbitration procedures would have to be initiated, details of which would be incorporated in the further progress report on the project to be presented to the General Assembly.

III. EXPANSION OF THE CONFERENCE FACILITIES OF THE ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC AT BANGKOK

A. Completion of the project

15. The project at Bangkok was resumed in 1988 pursuant to the terms of General Assembly resolution 42/211 of 21 December 1987 on the basis of the scope of facilities originally approved and as reflected in the previously completed plans and specifications. Construction of the new conference centre began in May 1989 and was completed in the first quarter of 1993; the inauguration ceremony was held on 9 April 1993. The maintenance guarantee period ended on 21 March 1994.

16. The United Nations conference centre at Bangkok is considered one of the premier facilities in the region and since 1993 has been designated as the venue for a number of major conferences, exhibitions and smaller meetings. Utilization of the conference centre continues to exceed the most optimistic expectations and includes numerous Secretariat meetings and seminars, as well as the working groups and monthly meetings of the Advisory Committee of Permanent Representatives and Other Representatives Designated by Members of the Commission. In addition to those conferences held in the first six months of 1995, as detailed in paragraph 14 of the report of the Secretary-General

(A/C.5/50/17), 203 major meetings were held in the last six months of 1995 and a total of 156 major meetings were held in the first six months of 1996. A selection of these meetings is attached as an annex to the present report.

B. Financial aspects

17. In his report to the forty-sixth session of the General Assembly (A/C.5/46/22), the Secretary-General reported that the revised estimated cost of the construction project at Bangkok would be $48,540,000 or $4,362,300 above the amount of $44,177,700 originally approved in principal by the Assembly in its resolution 39/236. With the approval of the General Assembly, this additional requirement was covered by interest earned on the construction-in-progress account during and after the period of suspension, and therefore no additional appropriation was required under the regular budget beyond the amount originally approved. In contrast, the current replacement cost of the building is estimated at approximately $70 million.

18. Although the final account on the construction at ESCAP was to have been submitted to the General Assembly at its fiftieth session, as reported in document A/C.5/50/17, it was expected that there would be additional charges against the project for minor retrofit of main vehicular entrance, final finishes and so on before the exact total project cost could be known. The remaining work currently being undertaken is the modification to the main entrance and main roadways. However, it is anticipated that the final project cost will be within the level approved by the Assembly. As at 31 August 1996, disbursements amounted to $46,205,100, including payments related to the installation of the new telephone system and local area network cabling and other work outside the main construction contract.

IV. CONCLUSION

19. In conclusion, despite numerous delays and difficulties during implementation of the project at Addis Ababa, as reported in the previous report of the Secretary-General, substantial completion of the new conference facilities took place on 21 April 1996, with handover of the premises to ECA on 22 April.

20. Regarding the financial aspects of this project, it is anticipated that although the revised project cost of construction will exceed the amount approved by the General Assembly in its resolution 45/248 A of 21 December 1990, the additional requirement, excluding claims, could be covered, with the approval of the General Assembly, by interest earned on the construction-in-progress funds and, therefore, no additional appropriation would be required under the regular budget beyond the amount of $107,576,900 originally approved. As concerns the claims, discussions and negotiations with the contractor are proceeding and the United Nations is making every effort to settle the claims within the existing appropriation and interest level. Should this not be possible, the United Nations intends to proceed to arbitration procedures as stipulated in the contract.

21. As concerns the project at Bangkok, the modification work to the main entrance and main roadway is expected to be certified as complete shortly, to enable the finalization of the accounts of the project. The cost of the construction project at ESCAP will then be capitalized and recorded under the United Nations Capital Assets Fund in the biennium 1996-1997.

22. As the present report provides complete details on all aspects of the progress and completion of the construction project at Bangkok, in accordance with General Assembly resolution 39/236, no further progress reports on this project will be submitted. Progress reports on the construction project at Addis Ababa will continue to be submitted to the General Assembly until construction is completed and the project is concluded.

ANNEX

Selection of major meetings held at Bangkok during the second half of 1995 and the first half of 1996

1995

July	Meeting with the Thai National Committee on the fiftieth anniversary of the United Nations
	Briefing for teachers from Santi Rasdorn Vithayalai School
	Meeting on the marble recladding project
August	Preparatory meeting for the Ministerial Conference on Environment and Development in Asia and the Pacific
	Drafting workshop on outlines for trade and environment studies
	Expert group meeting for the study on the status of women in poverty
September	Expert group meeting on the analysis of linkages between population and poverty
	International conference on Asia-Pacific's investment to China (activity 740/95)
	Third Training Seminar on the Removal and Disposal of Obsolete Installations and Structures in the Exclusive Zone and on the Continental Shelf
October	Meeting of United Nations heads of agencies: briefings on the Declaration and the Platform for Action of the Fourth World Conference on Women (activity 746/95)
	ASEAN subregional consultative meeting on the Ministerial Conference on Environment and Development
	Policy-level expert group meeting on the development of highway networks in the Asian republics
November	Seminar on the housing finance situation (activity 758/95)
	Regional consultative meeting on environment training at the tertiary level in Asia and the Pacific (activity 762/95)
	Ministerial Conference on Environment and Development - informal working group
December	Ad hoc expert group meeting on the trans-Asian railway route requirement for the southern corridor
	Panel of experts on desertification/land degradation control in Asia and the Pacific
	Seminar on marketing and distribution in the year 2000 and beyond: critical issues for success (activity 773/95)

1996

January	Expert group meeting on development issues and policies
	Regional seminar on promotion of energy efficiency and institution-building in transitional economies of Asia
	First meeting of the Task Force on the Reconstruction of Transport and Communications Programme
February	Policy-level expert group meeting on the trans-Asian railway in the Indochina and ASEAN subregion
	Expert group meeting to review and analyse water pricing policies and structures in the ESCAP region
	Inaugural session of the Subcommittee on Poverty Alleviation of the regional Inter-agency Committee on Poverty Alleviation
March	First meeting of the Forum for the Comprehensive Development of Indochina Private Sector Advisory Group
	Seminar on policy strategy for traffic and transport
	International architectural seminar with Tadao Ando on the collision between different cultures
April	Regional consultation on preparations for the World Congress on the Commercial Sexual Exploitation of Children
	Workshop for seminar/project to study the public transport system's joint administration service system
	Fifty-second session of the Economic and Social Commission for Asia and the Pacific
May	Expert group meeting on regional cooperation on climate change
	Meeting of senior officials on a policy framework for lifelong preparations for old age
	204th session of ACPR
June	Meeting of the Working Group on Regional Economic Cooperation
	Seminar on the mobilization of private sector financial resources for infrastructure development in Indochina
	Subregional meeting on military activities and the environment

---